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SUMMARY RECORD OF THE 17th MEETING

Chairman: Mr. TEIRLINCK (Belgium)

Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. MSELLE

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The meeting was called to order at 3.15 p.m.

AGENDA ITEM 108: PROGRAMME PLANNING (continued) (A/49/6, A/49/16 (parts I and II), A/49/99, A/49/135 and Add.1, A/49/452; E/1994/4 and E/1994/19)

1. Mr. TOYA (Japan) said that in general his delegation would have no difficulty endorsing the proposed revisions to the medium-term plan for the period 1992-1997. It also welcomed the proposed new format of the medium-term plan, which would permit the establishment of a link between the objectives of the plan and the allocation of resources to programmes. It was to be hoped that all those reforms would contribute to making the plan more useful. Maintaining and enhancing coordination among the various departments and offices would continue to be critical to the formulation of the programme budget. Since the Secretariat would have to begin to draft the new medium-term plan early in 1995, his delegation hoped that the Fifth Committee would be able quickly to approve the basic idea underlying the prototype of the new format, so that it could be used.

2. His delegation welcomed the proposed budget outline for the biennium 1996-1997 and associated itself with those delegations in the Committee for Programme and Coordination (CPC) which had supported the steps taken by the Secretariat to realize significant savings and had welcomed its plan to conduct a review to identify areas in which increased efficiency and cost-effective measures were possible.

3. The outline indicated negative growth since the preceding biennium, both in terms of initial appropriations and projected revised appropriations. The basic concept of a zero real-growth budget was an important tool for imposing budgetary discipline. His delegation supported the priorities established in the outline and the balance that had been struck between international and regional cooperation for development, a traditionally important area, and the areas of human rights, humanitarian affairs and internal oversight. It also noted the suggestion that savings of some $15 million were possible as a result of efficiency measures.

4. His delegation welcomed the various initiatives which the Department of Administration and Management was taking to make management of the work of the United Nations more efficient and effective and looked forward to cooperating closely with the Secretariat as it implemented those worthwhile measures.

5. Mr. BRTSEID (Norway), speaking on behalf of the Nordic countries, said that those countries endorsed the general view that the current system of programme planning, budgeting, monitoring and evaluation had a number of shortcomings and that the medium-term plan should be revised. Medium-term planning was an essential management tool which, if it did not function properly, could neither serve as the principal policy directive for the work of the Organization, nor be a useful framework from which to derive the biennial programme budgets. Member States and the Secretariat recognized that the current medium-term plan lacked precision in the stated objectives and thereby precluded the possibility of

adequately measuring the impact of programmes. As the CPC had noted, in its present form the plan was little used and of limited significance to the Organization.

6. Nevertheless, the general agreement that a revision was necessary had provided a point of departure, and a good deal of work had already been carried out. He was confident that the General Assembly would approve the new format of the medium-term plan. The plan must be a short, basic strategic document which concentrated on the overall priority areas of the Organization in its first part and on the major programmes in the other part. It should be easy to read and understand; in fact, the general public should be able to study the document without too much effort or insight into the work of the United Nations. The general approach outlined in subparagraphs 6 (a) to (d) of document A/49/301 adequately reflected the view of the Nordic delegations regarding the content of the perspective, and he simply wished to add that a discussion of the external role of the Organization in addressing various problems often would have to be supplemented by considerations regarding internal consequences for the Organization.

7. CPC had had in mind a period of four to six years for the plan's perspective. Long-term trends and their implications for the United Nations must be considered. Accordingly, it might be useful to extend the perspective to six years whenever that was considered meaningful. In that context, it also should be taken into account that a number of organizations in the United Nations system had a six-year planning period.

8. The Nordic countries fully agreed that the programme pattern set out in the plan and the organizational structure of the Secretariat should be congruent. In that way, there would never be any doubt as to which department was responsible for which programme and which division was responsible for which subprogramme. Therefore, the reorganization of the Secretariat should, to the extent possible, reflect the introduction of a new format of the medium-term plan.

9. The delegations of the Nordic countries had studied the prototype in annex I of document A/49/301 with great interest. Considered as a framework for biennial budgets, it represented an improvement in comparison with the current medium-term plan. However, further improvement was possible regarding the description of expected results and planned outputs. The prototype did not fully meet the criterion stated in paragraph 9 of the document, which required the framework to identify the objectives and expected results of the subprogramme to be achieved at the end of four years. The relationship between the medium-term plan and the biennial budgets needed further clarification, and the precision lacking in the budget framework could be obtained in the programme budget.

10. The Nordic countries had repeatedly stressed the need to respect the overall role, authority and responsibility of the Secretary-General as the chief administrative officer of the Organization. Once the General Assembly had adopted the new format of the plan, the Secretary-General and his staff members

could be expected to contribute to making future plans a constructive managerial instrument. However, it was obvious that the Secretary-General and the Secretariat must cooperate closely with intergovernmental bodies in that future process. Since the plan would be very comprehensive and would include a broad policy dimension, the support of Member States also would be essential.

11. The programme framework of the plan was acceptable provided that, on a regular basis, or whenever necessary, the Organization would study the plan with a view to adapting it to new challenges and encompassing new mandates. The medium-term plan must not be static, nor should it be become an obstacle to facing new realities; neither should it be used to retain for too long programmes and projects which should be terminated or an organizational structure that was outdated. The Organization had a mandate to fulfil certain duties and meet new challenges with the means at its disposal. Against that background, the United Nations must show flexibility and readiness to assume new tasks and leave behind those already completed. The Organization should respond to those requirements by reviewing its organizational structure on a continuous basis, and the medium-term plan should help to serve that purpose.

12. Mr. BERGH (South Africa) said that while the medium-term plan should be viewed as the basic strategic document of the United Nations, Member States must provide the Organization with clear indications of the functions it should undertake. The plan would benefit from reformulation so as to increase its clarity. The prototype submitted by the Secretary-General in document A/49/301 provided a sufficient basis for deliberations on the format of future medium-term plans. The immediate advantages of the prototype were the reduction in the length of the document, its increased precision and the consolidation of the various programmes along organizational, rather than sectoral, lines.

13. Furthermore, the plan should not be viewed in isolation from the proposal by the Secretary-General on the establishment of a transparent and effective system of accountability and responsibility, as outlined in document A/C.5/49/1. The Secretary-General's proposals in that regard would assist the Organization in achieving the objectives of the medium-term plan by, inter alia, establishing clear responsibility for programme delivery and ensuring the accountability of managers for the use of financial and other resources allocated to them.

14. The medium-term plan should be constantly reviewed and updated to ensure that it retained its relevance to the strategic objectives of the Organization. For example, with the holding of free, non-racial elections in South Africa, the political objectives of programme 6 (Elimination of apartheid) of major programme I of the medium-term plan for the period 1992-1997 had been achieved. In accordance with the provisions of General Assembly resolution 48/258 A, the mandate of the Special Committee against Apartheid had been terminated and the item had been removed from the Assembly's agenda. In that connection, it should be noted that the human resources previously allocated to the Centre against Apartheid had already been transferred to the Africa Division of the Department of Political Affairs; that would help to strengthen the role of that Division and would add to its already considerable reserves of experience. The financial

resources which remained in the budget allocation to programme 6 should also be redeployed and not retained as "savings".

15. Certain activities under programme 38 involved publicity against apartheid. With the completion of that aspect of programme 38, the budget resources previously allocated for publicity against apartheid could be fruitfully redeployed to other programmes pertaining to Africa, either within the Department of Public Information or in other sectors. In view of recent events in the Middle East peace process, the remaining activities under programme 38 would continue in order to support the important changes under way in that region.

16. During the first part of the biennium, the General Assembly and the Security Council had adopted many important, albeit unforeseen, programmes which must be financed from the contingency fund. They included some aspects of the mandate of the United Nations High Commissioner for Refugees, activities as a follow-up to the World Conference on Human Rights, some Commission on Human Rights resolutions and specific aspects relating to the Economic Commission for Africa. Perhaps the resources remaining after the completion of programme 6 and the relevant portions of programme 38 could be redeployed in order to offset those additions to the budget. The South African delegation was committed to cooperation in order to ensure that the necessary financial resources were allocated appropriately.

AGENDA ITEM 104: FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS, AND REPORTS OF THE BOARD OF AUDITORS (continued) (A/48/516 and Add.1, A/48/572 and A/48/587; A/49/5 (vols. I-IV) and Add.1-9, A/49/214, A/49/348 and Add.1 and 2, A/49/368 and A/49/547)

17. Mr. LE MARECHAL (Deputy Controller and Auditor General of the United Kingdom), speaking on behalf of the Chairman of the Board of Auditors, said that the Board noted with satisfaction the interest in and support for its work which the Committee continued to express. The value of the external auditors' work was shown especially when the management of the Organization addressed the problems identified and implemented the recommendations of the Board and of the Committee.

18. The Canadian delegation had drawn attention to some inconsistencies in the treatment of accounting and the format of the financial statements prepared by the 14 organizations, programmes and funds. The Board, too, acknowledged those difficulties and agreed on the importance of clear and transparent financial statements. Such inconsistencies should be addressed when the United Nations system accounting standards were adopted more fully. While the standards, introduced in 1992-1993, had in general been complied with by the organizations, further work would be required in other areas. The Board would continue to play an active role in supporting the Consultative Committee on Administrative Questions (CCAQ) in order to harmonize the format of financial statements throughout the United Nations system.

19. The Canadian delegation had also referred to the request contained in General Assembly resolution 48/228 that the Board should review the development of the assumptions used in the presentation of the programme budget and performance reports with a view to suggesting improvements. The Board would undertake that work during its audit of the financial statements for 1994-1995.

20. All delegations, without exception, had commented on the Board's findings on procurement in a constructive and supportive way. It was important for the United Nations to tackle those issues without delay. The Board fully supported the note of caution expressed by the delegation of the Russian Federation concerning the need to take particular care in the appointment of senior-level experts from outside the Organization. In order to avoid conflicts of interest and the risk of impropriety on the part of those participating in the procurement process, a careful and well-thought-out approach to such matters must be adopted.

21. The Board was grateful for the support of delegations for the work done on the audit of peace-keeping operations and took note of the observation that some of the larger peace-keeping operations might have to be dealt with separately in the future. Naturally, the Board was willing to submit its reports to the General Assembly in a form which Member States found most helpful and which was consistent with its terms of reference. It would be necessary to clarify the nature of any additional reports which the Committee wished to receive in the future.

22. During the debate on agenda item 105, many delegations had expressed a desire to see changes in the Organization. The Board of Auditors would continue to play an active and constructive role in promoting the changes which Member States wished to institute and in furthering the economic, efficient and effective functioning of the United Nations.

23. Mr. NIWA (Assistant Administrator and Director of Finance and Administration, United Nations Development Programme) said that the United Nations Development Programme (UNDP) was continuing to attach utmost importance to the implementation of the recommendations of the Board of Auditors and that, as reflected in the reports of the Secretary-General (A/48/516/Add.1 and A/49/348/Add.2), considerable progress had been made in that regard.

24. The report of the Board of Auditors (A/49/5 (vols. I-IV) and Add.1-9) was the outcome of a thorough review by the Auditors of the management and financial systems of UNDP and of a constructive dialogue during the review process, in which the Board had, inter alia, suggested ways in which UNDP could improve and streamline its operations. The Board had also recognized the complexity and dynamism of the environment in which UNDP operated and its responsibility for multiple tasks and functions, including not only the technical cooperation activities financed by it, but also the coordination of development, humanitarian and disaster relief and related activities in over 130 countries, situations and circumstances. In performing their varied tasks, UNDP country offices supported the operational activities of the United Nations system as a whole. In addition, all of that must be done in a cost-effective manner,

bearing in mind the voluntary nature of UNDP funding and the need to maximize resources. In that connection, it should be emphasized that during the previous and current bienniums, UNDP had applied a policy of budgetary restraints. As the Board had acknowledged, UNDP was rarely a sole actor in its operations; on the one hand, it responded to the needs expressed by Member States and, on the other hand, it ensured partnership with recipient countries and ownership by them of their programmes and projects, for which UNDP was privileged to provide assistance.

25. Several delegations had expressed their concern at the fact that the Board of Auditors had deemed it necessary to qualify its opinion on UNDP financial statements. When reporting on the UNDP financial report and audited financial statements for the biennium ended 31 December 1991, the Board of Auditors had said that a long-term audit plan should be established, in agreement with the Board, that would ensure that each project was audited at least once during its lifetime, and that major projects were audited annually or at least biennially. UNDP had acted upon those recommendations and, in consultation with the Board, had developed a global long-term audit plan regarding national execution. Furthermore, financial regulation 17.2 had been amended to ensure that each project was audited at least once in its lifetime.

26. The long-term audit plan for 1992-1993 had called for the audit of 741 projects in 1992 and 470 in 1993. Audited expenditures for 1992 and 1993 had met and even exceeded the plan. The Board of Auditors had been provided with the appropriate details; it was therefore regrettable that it had maintained the qualification. UNDP would continue to review the matter with the Board.

27. The main challenge for UNDP lay in developing and maintaining oversight and accountability systems while providing adequate flexibility to take new initiatives to meet changing needs and priorities. In accordance with General Assembly resolutions 47/211 and 48/218, the Administrator had placed the highest priority on accountability in the administration of UNDP operations and had emphasized managerial accountability. With that in mind, UNDP had, in October 1993, established a Standing Committee on Personal Responsibility and Financial Liability to review cases of violation of the Financial Regulations and Rules that resulted in financial losses to the Organization. That innovative oversight mechanism was being refined on the basis of experience gained. UNDP would welcome any initiative on the part of the Secretariat in that regard, and was pleased that the work of the Standing Committee had been received favourably by the Board of Auditors.

28. With regard to the comments on procurement made by several delegations, he was pleased to note the Board's view that the UNDP Financial Regulations and Rules provided a sound framework for the conduct of procurement activities, although UNDP was aware that those regulations and rules and related procedures required review and amendment to meet changing requirements. UNDP was also aware of the need to further strengthen its procurement procedures, particularly market studies and the introduction of performance measures, while bearing in mind the need for cost-effectiveness. He was also pleased to report that a comprehensive training programme organized by the Office for Project Services

for all its procurement staff, in which UNDP staff would also participate, would be starting the following month.

29. Regarding the comment on property control made by the Swedish delegation, he was pleased to confirm that UNDP had completed a pilot exercise and was finalizing the Headquarters inventory. As for programme and project management, and in reply to the comment of the German delegation regarding the low delivery rate of 71.5 per cent, he said that it had subsequently been indicated that the percentage quoted did not pertain to UNDP, and informed the Committee that UNDP's project delivery rate had exceeded 80 per cent for the 1992-1993 biennium. In reply to the points made by the Swedish and German delegations on programme and project management, the Board had acknowledged that in recent years, significant events and challenges had arisen for UNDP, largely as a result of exogenous variables including changes in the international development and political environment with consequences affecting the financial structure of development assistance and multilateral development operations.

30. UNDP was implementing a new policy concept and direction. Bearing that in mind, and in order to address the recommendations of the Board, the changes required in UNDP programme management were being addressed through a combination of initiatives intended to strengthen accountability within a framework of decentralized authority. The new initiatives were a series of procedural adjustments to facilitate work planning, reporting, monitoring and performance measurement, and the introduction of measures to improve programme and project quality. A comprehensive revision of country office reporting and review procedures would be introduced by the end of 1994. Similarly, a revised monitoring and evaluation system which would link feedback and lessons learned with management decisions would be implemented over the following two years.

31. At the same time, UNDP was actively engaged in the development of a communications and information technology strategy to support programming systems, in order to facilitate the achievement of results as well as to provide monitoring which would discharge part of the Administrator's responsibilities. The strategy was being implemented on a priority basis in the context of two major systems, the Integrated Management Information System (IMIS) and the Integrated Programme Management System, known as IPM. The latter was designed to address the issues identified by the Board, and consisted of an integrated approach for the development of programme management systems for country offices and Headquarters.

32. Those were by no means the only areas in which UNDP was endeavouring to improve its operations, review its policies and take appropriate action to address the findings and recommendations of the Board of Auditors. UNDP would continue to accord the highest priority to the judicious and timely follow-up and implementation of the recommendations of the Board of Auditors.

33. Mr. ANDO (Deputy Executive Director (Policy and Administration) of the United Nations Population Fund (UNFPA)) said that several delegations, particularly that of Germany speaking on behalf of the European Union and Austria, had raised the issue of the Board's qualification of its audit opinion.

All agencies had made a considerable effort and, according to the Board's assessment, the extent of the problem had been greatly reduced compared to the 1990-1991 biennium. UNFPA would continue to make efforts to that end.

34. The strongest concerns expressed by delegations had related to problems in the area of procurement. He noted that the Board was satisfied with UNFPA procurement of contraceptive and medical equipment; despite the small volume of other procurement, UNFPA had revised its procedures in order to address the findings of the Board. Utmost priority was being given to the further strengthening of the competitive bidding process and improved forward planning in the processing of major transactions. With reference to property control and the possible under-reporting of non-expendable property, he was pleased to inform the Committee of the inventory controls that UNFPA had instituted in the field and at Headquarters. The Auditors had expressed satisfaction with those controls.

35. Regarding programme and project management, UNFPA was fully aware of the need to improve its performance in the areas indicated by the Board, and had taken several initiatives to improve the formulation and implementation of its programmes. An internal task force was currently revising UNFPA guidelines on programme review and strategy development. The revised guidelines would give priority to an improved evaluation of past programme performance and its implications for future assistance. UNFPA had also compiled and issued a comprehensive summary of policies and procedures pertaining to the programme cycle; that document would provide guidance in the proper application of UNFPA guidelines. Increased attention was also being given to the provision of training opportunities for field staff, including the creation of regional refresher courses.

36. All of those initiatives were critical to the successful implementation of the decentralized policy which had taken effect from December 1993. One of the requirements under that policy was the establishment of field-level Project Appraisal Committees whose aim would be to ensure a more vigorous review of project proposals and project strategies. Moreover, UNFPA was striving to facilitate the work of its staff through a streamlining of procedures under new sectoral programme guidelines which were expected to further improve the monitoring of progress in UNFPA-funded activities through the better utilization of monthly output indicators.

37. Over the previous two years, UNFPA had instituted a new system of technical support services aimed at making vital expertise more accessible at the field level. Under that arrangement, eight teams of technical experts had been established in the regions to assist Governments and field offices in the formulation and review of population activities. Those backstopping services had already made a significant contribution to improved programme management by UNFPA field offices.

38. UNFPA appreciated the observations of the Board of Auditors to the effect that the UNFPA information technology strategy had been well conceived and implemented according to plan, to time and to cost. However, UNFPA would

continue to strive for the most efficient and effective application of management information systems in all areas of its activities.

39. UNFPA was confident that the combined effect of those initiatives would greatly enhance its capacity to provide timely and effective assistance in the field of population. It was very encouraged by the attention given to population issues at the International Conference on Population and Development held at Cairo in September 1994. The Conference's Programme of Action would provide excellent guidance in the areas of activity of UNFPA, which was wholeheartedly committed to meeting the challenges and opportunities presented by the process initiated by the Conference.

40. The CHAIRMAN said that the Committee had concluded the general debate on agenda item 104.

AGENDA ITEM 115: UNITED NATIONS PENSION SYSTEM (A/49/9; A/C.5/49/3 and A/C.5/49/7)

41. Mr. MARCUCCI (Chairman of the United Nations Joint Staff Pension Board), introducing the report of the United Nations Joint Staff Pension Board to the General Assembly (A/49/9), said that one of the central responsibilities of the Pension Board was to monitor the actuarial situation of the Fund through actuarial evaluations which were normally carried out every two years. However, as a consequence of the General Assembly's decision to take up pension matters biennially, the most recent valuation had been rescheduled to be as at 31 December 1993.

42. The presentation of the results of the valuation differed in several respects from previous reports. In response to requests made by the External Auditors and several delegations in the Fifth Committee, and in pursuance of resolutions 47/203 and 48/225, the results of the valuation currently before the Committee were presented in dollar terms as well as in the traditional form of percentages of pensionable remuneration. In addition, there were more extensive disclosures as to the net assets available for benefits and the actuarial present value of anticipated retirement benefits. The additional information and disclosures were accompanied by statements of opinion by the Committee of Actuaries and the Consulting Actuary on the sufficiency of the assets to meet the liabilities under article 26 of the Regulations of the Fund and on the actuarial position of the Fund (annexes IV and V).

43. The Board had expressed satisfaction at the arrangements made to respond to the requests of the External Auditors. At the same time, it had concurred with the Committee of Actuaries and the Consulting Actuary that great care should be taken in assessing the results of the valuation in dollar terms so as not to create undue anxieties for participants and beneficiaries as well as for Member States.

44. As in the past, the valuation reflected a fully dynamic basis which assumed that inflation would continue indefinitely in the future and included certain assumptions as to the growth in future years in the number of participants in

the Fund. The assumptions used in the valuation were described in paragraphs 21 to 25 of the report. Under the Regular Evaluation assumptions, the actuarial imbalance had increased by some 0.92 per cent. The elements contributing to the imbalance were set out in paragraph 27.

45. As indicated in paragraph 28, the results of the valuation varied significantly under different sets of economic assumptions. The deficit of 1.49 per cent of pensionable remuneration under the Regular Valuation economic assumption of a 3 per cent real rate of investment return increased to 5.3 per cent under a lower rate of return of 2 per cent; on the other hand, the imbalance became a surplus of 2.52 per cent under a higher real rate of return of 4 per cent. In dollar terms, the deficit under the Regular Valuation was some $1.8 billion; it increased to approximately $10.9 billion under an assumption of a 2 per cent real rate of return; the deficit became a surplus of about $2.2 billion under an assumption of a 4 per cent real rate of return. It should be noted that the annual real rate of return of the Fund over the previous 34 years had been greater than 3 per cent, namely, 3.5 per cent.

46. Because of the wide swings in the valuation results according to differing assumptions as to future economic developments, the Committee of Actuaries and the Consulting Actuary had stressed that great care must be taken when considering the dollar amounts since they reflected projections of benefit liabilities and contributions for individuals who had yet to join the Fund. It was essential to bear in mind that the imbalance did not indicate a shortfall in the Fund's ability to meet its current obligations. Rather, it indicated the potential future effect of continuing the current contribution rate and Pension Plan provisions under certain actuarial assumptions as to future economic and demographic developments.

47. The Committee of Actuaries and the Consulting Actuary had also pointed out that when expressed in dollar terms, the actuarial imbalance should only be considered in relation to the magnitude of the liabilities and not in absolute terms. On that basis, the deficit of $1.8 billion under the Regular Valuation assumptions represented only 4.3 per cent of the projected liabilities of the Fund. The report of the Advisory Committee on Administrative and Budgetary Questions (A/49/576) provided a table showing the evolution of the actuarial imbalance since 1980 which indicated that, with the exception of the results of the 1990 valuation, the imbalance in the latest valuation was significantly smaller than the percentage reflected in the results of all previous valuations since 1980. After assessing the valuation results in conjunction with the trends shown by certain key indicators, the Committee of Actuaries had concluded that there was no need to increase the contribution rate or to take other measures to reduce the actuarial imbalance. The Committee would review the data produced in the following year as well as various aspects of the valuation methodology and would reassess the need for action at the time of the next valuation as at 31 December 1995.

48. Concerning the management of the investments of the Fund, the Joint Staff Pension Board had considered the information contained in the report of the Secretary-General on the investment environment, the investment strategy and

tactics and the investment return during the year ended 31 March 1994. In that regard, the Board had expressed its appreciation for the work of the Investments Committee, the Investment Management Service, the representative of the Secretary-General, and the Global Adviser, which had led to good investment returns over the years. It had also welcomed the successful conclusion of the efforts to ensure that the Fund's assets would be held in the name of the United Nations and would be held separately from the assets of the United Nations and from other assets held by the custodians. It had also stressed that the primary custodial objective must always be the security of the asset and had commended the achievement of enhanced security at reduced cost. The Board had recognized the need to monitor those new arrangements closely and had accordingly requested a further report on the matter for consideration at its 1996 regular session.

49. The report of the Board of Auditors on the accounts and operations of the Fund was contained in annex III of the report of the United Nations Joint Staff Pension Board. In that connection, he noted with satisfaction that the examination of the Board of Auditors had revealed no weaknesses or material errors in the accuracy, completeness or validity of the financial statements as a whole and the Board had therefore placed an unqualified opinion on the financial statements. The auditors had also reported that most of their previous recommendations had been effectively implemented by the Fund's secretariat.

50. In view of the size of the Fund and the scope of its operations, the Board of Auditors had recommended that, in addition to the audits performed annually by the Panel of External Auditors, suitable arrangements should be made for a separate internal audit function for the overall activities of the Fund. The Pension Board had agreed that internal audits constituted a valuable management tool and should therefore be carried out on a regular basis. After discussing possible modalities for such audits, the Pension Board had agreed that, for the time being, the use of the internal audit services of the United Nations should be explored, with reporting arrangements which respected the inter-agency nature of the Fund, namely, by communicating the results of such audits to the Pension Board through its Secretary. The Pension Board had therefore requested its Secretary to pursue the matter with the Office of Internal Oversight Services of the United Nations and to report thereon to the Standing Committee the following year, in the context of the proposed budget for the biennium 1996-1997, and to the following regular session of the Board in 1996.

51. With respect to the recommendation of the Board of Auditors on the procedures for verifying continuing eligibility for benefits from the Fund, the Board had requested the secretariat of the Fund to explore new technologies and procedures aimed at strengthening the verification process. The secretariat had already initiated inquiries with a number of international and national pension and social security schemes to obtain information on their practices. It had also introduced a number of changes in the format of the Certificates of Entitlement sent to beneficiaries and in the procedures for their distribution and review.

52. On the question of administrative expenses, the Board had considered the expenses for the biennium 1994-1995 and had decided to request additional resources in the amount of $390,200, chargeable to the Fund. That request related primarily to the need to recalculate more than 850 benefits of former General Service staff because of retroactive revisions to the 1991, 1992 and 1993 salary scales at Geneva, in compliance with the judgement of the Administrative Tribunal of the ILO.

53. Pursuant to General Assembly resolutions 46/192 and 47/203, the Pension Board had proposed amendments to article 54 of the Fund's Regulations, the texts of which were contained in annex XIV of the report, in order to update its provisions and to fill certain lacunae which had been identified in recent years. Those amendments would incorporate the most recent scale of pensionable remuneration for staff in the Professional and higher categories and would add provisions governing the pensionable remuneration of ungraded officials, including the executive heads of member organizations which were participants in the Fund, the pensionable remuneration of staff in the United Nations Field Service category, and the pensionability of longevity or merit step increments which were granted to their staff by certain member organizations and which went beyond the normal maximum salary scales.

54. With regard to the pension adjustment system, and also pursuant to General Assembly resolution 46/192, the Pension Board had focused particular attention on four issues which it had agreed to study in light of the longer-term modification of the system which had entered into effect on 1 April 1992. Following its first assessment of the actual costs of that modification in the context of the most recent valuation of the Fund, the Pension Board had noted with satisfaction that the cost estimate of 0.26 per cent of pensionable remuneration made by the Consulting Actuary was in line with the 1991 estimate of 0.3 per cent. The Pension Board had agreed to monitor actual costs on the occasion of future valuations of the Fund. With regard to the possible changes in the special index for pensioners, both the International Civil Service Commission (ICSC) and the Board had decided to defer consideration of the matter. In addition, the Pension Board had referred to a contact group two issues which had given rise to differences of opinion during the initial discussions in the Board, together with two others concerning actuarial issues, on which no agreement had been reached. The Board had finally reached a consensus to present those issues as a package of four measures in which: (a) it recommended to the General Assembly a lowering of the 120 per cent cap to 110 per cent for participants retiring on or after 1 July 1995; (b) it recommended to the General Assembly the application of the 1 April 1992 modification to staff in the General Service and related categories, with effect from 1 July 1995, and the introduction of corresponding changes in the schedule of special adjustments for small pensions, also from the same date; (c) it retained the current 6.5 per cent interest rate for determining the amount of lump-sum commutations, with the rate to be reviewed again by the Standing Committee the following year, and requested the Committee of Actuaries to construct an updated unisex mortality table, based on the longevity expectations utilized in the valuation as at 31 December 1993, for approval by the Standing Committee and implementation with effect from 1 July 1995; and (d) it would make

the years of contributory service beyond 35 creditable, at an accumulation rate of 1 per cent per year, subject to a maximum benefit accumulation rate of 70 per cent, with effect from 1 July 1995 and using the method described in paragraph 75 of the report.

55. The Consulting Actuary had estimated that the net effect of those four measures would be a reduction in the actuarial costs of 0.04 per cent of pensionable remuneration. He hoped that the Committee would consider and approve the four measures as a package, in the interest of the unity and harmony of the common system. While he recognized that it was particularly difficult for the representatives of participants to join in a consensus when some of the measures were not favourable to them, he hoped that during the informal consultations on the draft resolution to be adopted by the Committee, delegations would bear in mind the spirit of constructive participation and compromise among the interested parties which had characterized the work of the Board in recent years.

56. With regard to the admission of the International Centre for Genetic Engineering and Biotechnology (ICGEB) as a new member of the Fund with effect from 1 January 1996, the governing body of the Centre had recently adopted staff regulations, rules and salary scales which were being reviewed by the secretariat of ICSC in order to ensure that they reflected adherence to the common system. The Board had also approved, subject to the concurrence of the General Assembly, agreements for the transfer of pension rights between the Fund and the retirement plans of the Asian Development Bank and the European Bank for Reconstruction and Development, the texts of which were set out in annex VII to the report.

57. On the subject of the interpretation and application of the transfer agreements between the Fund and the former Union of Soviet Socialist Republics (USSR), the former Ukrainian SSR and the former Byelorussian SSR, he wished to draw particular attention to paragraph 251 of the report, which reproduced excerpts from the letter of the Secretary of the Board to the Vice-Prime Minister responsible for social matters in the Russian Federation setting out the basis for the grievances of the former UNJSPF participants. While the Fund had discharged its obligations under the agreements by transferring to the Social Security Fund of the former USSR the actuarial value of the pension rights accrued by former participants during their participation in the Fund, the amounts involved had not been taken into account in determining the amount of their national pension benefits, as provided for in the agreements. Before meaningful progress could be achieved in the solution of those problems, the Governments concerned must demonstrate their readiness to redress the grievances of former participants. Towards that end, the secretariat of the Board had initiated another series of contacts with the Permanent Representative of the Russian Federation to the United Nations and with the Vice-Prime Minister. The Secretary-General of the United Nations had also raised the matter with the Foreign Minister of the Russian Federation. The Vice-Prime Minister had informed the Secretary of the Board that a working group composed of high-ranking officials representing relevant ministries and agencies of the Russian Federation as well as representatives of the Moscow Association of

Former International Civil Servants had been established with a mandate to develop proposals for possible negotiations with the Joint Staff Pension Fund. The General Assembly could add impetus to the process of finding a solution by specifically addressing that matter in its resolution on the question.

58. In conclusion, he hoped that the resolution adopted by the Committee and forwarded to the General Assembly would approve the Board's recommendations which were summarized in the draft resolution contained in annex XVI of the report.

59. Mr. CONNOR (Under-Secretary-General for Administration and Management), introducing the report of the Secretary-General on the investments of the United Nations Joint Staff Pension Fund (A/C.5/49/3) said that, pursuant to the decision of the General Assembly in 1992 to take up pension matters biennially, no report on the subject had been submitted in 1993; consequently, the report now before the Committee covered the period from 1 April 1992 to 31 March 1994.

60. The report was similar in format to the reports of earlier years so that members of the Committee would have a basis for comparison. After a brief introduction, section II discussed the economic and investment conditions that had prevailed during the period under review. Section III dealt with the investment return of the Fund. Considering the slow-down in economic growth in some major industrialized countries and the recession in others, the volatility of the financial markets and, in general, the fluctuations in exchange rates, the investment returns, for the periods ending, respectively, on 31 March 1993 and 31 March 1994 could be considered satisfactory, based on the actuarial assumption of a 3.0 per cent real rate of growth of return. Table 1 showed the nominal and real rates of return for the previous 5, 10, 15, 20 and 25 years, as well as the return for the previous 34 years (the historical return) for which comparative data were available.

61. Section IV dealt with investment diversification; the chart in paragraph 12 showed the changes which had taken place in the various sectors of the Fund's assets during the two-year period. It was to be noted that the Fund's exposure to equities had been increased from 47 per cent to 55 per cent and that the bond portion of the portfolio had been reduced from 37 per cent to 33 per cent. The proportion in cash and short-term reserves had declined from 7 per cent to 6 per cent, while exposure to real estate had declined from 9 per cent to 6 per cent.

62. Section V, which dealt with the implementation of General Assembly resolutions, reviewed the status of investments in developing countries. The Secretary-General continued to implement the resolutions adopted earlier by the General Assembly and the book value of development-related investments had increased by 13.9 per cent. Table 2 of the report showed the progress made in increasing investment in developing countries and development-related institutions since 1989, while table 3 gave more details concerning the two-year period.

63. Section VI contained a special report on the new custodial arrangements for the investment assets of the Fund. Since the Fund's inception in 1946, its investment assets had been in the custody of one global custodian. As of 30 June 1994, the previous arrangements with a single global custodian had formally ended and new custodial arrangements were now in place with three regional custodians. As the Fund continued to grow, a structure would be in place which would ensure efficient and safe investment management and operations, at reduced costs. Finally, section VII contained the conclusions of the report.

64. He drew the Committee's attention to tables 1 to 4 in the annex which contained a great deal of statistical data and an overview of the investments. The Fund had continued its policy of diversification of its investments, not only by geographical region but also by currency. It had also continued its defensive strategy whereby profits had been realized and reinvested in order to take advantage of the volatility of the financial markets during the period under review. The main purpose of diversification and the defensive strategy was to protect the principal of the Fund against unpredictable fluctuations in financial markets.

65. The world economy appeared to be entering a period of stable growth and low inflation which might benefit the equity markets. The Fund had therefore continued, cautiously and selectively, to build up its equity portfolio. Historically, equities had outperformed other types of investments in the long term. Nevertheless, the Fund would continue to maintain a stable level of fixed-income securities with high yields in order to ensure a steady stream of income.

66. Like his predecessors, he considered that the investment strategy of the Fund should be viewed from a long-term perspective. The advantages of adopting a more aggressive short-term investment policy would not be significant for a fund such as the United Nations Joint Staff Pension Fund, which had long-term objectives and liabilities in several currencies. The management of the Fund was geared to maintaining a balance between risk and reward in the medium to long term, rather than to taking the risks inherent in seeking very high short-term returns. Any assessment of the Fund's performance should therefore be on the basis of longer periods, of at least five years.

67. During the past two years, the world financial markets had experienced a period of volatility which seemed likely to continue. However, largely because of the policy of geographical, currency and asset diversification and the defensive strategy to which he had already referred, the Fund was well positioned to meet the uncertainties and volatility of the markets. Each year, a different combination of factors and asset categories contributed to the performance of the Fund, underlining the benefits derived from the diversification of the Fund's investments, which evened out and enhanced investment returns over the longer periods.

68. In conclusion, he said that the management of the Fund's investments would continue to be guided by the criteria of safety, profitability, liquidity and

convertibility which had been endorsed by the United Nations Joint Staff Pension Board and confirmed by the General Assembly. The management of the Fund would also continue to focus on a strategy geared to the avoidance of undue risk in order to enhance its performance.

The meeting rose at 4.55 p.m.